

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Day Township	County Montcalm
Fiscal Year End 03/31/2007	Opinion Date 08/30/2007	Date Audit Report Submitted to State September 30, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Steven C. Arends	License Number 1101013211

**DAY TOWNSHIP, MONTCALM COUNTY**

**MCBRIDE, MICHIGAN**

**MARCH 31, 2007**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

MARCH 31, 2007

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

August 30, 2007

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Day Township  
Montcalm County  
McBride, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Day Township, Montcalm County, McBride, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Day Township, Montcalm County, McBride, Michigan as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Day Township, Montcalm County, McBride, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

DAY TOWNSHIP, MONTCALM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

Day Township, a general law township located in Montcalm County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Day Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$398,624. Of this amount, \$100,839 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$269,514. About 37% is available for spending at the Township's discretion.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

DAY TOWNSHIP, MONTCALM COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$398,624 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount.

DAY TOWNSHIP, MONTCALM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Day Township**  
**Net Assets as of March 31, 2007**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 274,824
Non Current Assts	
Capital Assets	408,247
Less: Accumulated Depreciation	<u>(152,787)</u>
Total Non Current Assets	<u>255,460</u>
<b>Total Assets</b>	<b><u>\$ 530,284</u></b>
<b>Liabilities</b>	
Current Liabilities	\$ 19,872
Non Current Liabilities	<u>111,788</u>
Total Liabilities	<u>131,660</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	129,110
Restricted for Specific Purposes	168,675
Unrestricted	<u>100,839</u>
<b>Total Net Assets</b>	<u>398,624</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 530,284</u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others).

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



DAY TOWNSHIP, MONTCALM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Day Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2007**

	<b><u>Governmental Activities</u></b>
Revenues	
Program Revenues	
Charges for Services	\$ 22,879
General Revenues	
Property Taxes	118,588
State Shared Revenue	83,848
Investment Earnings	2,546
Other Revenues	<u>3,653</u>
Total Revenues	<u>231,514</u>
Expenses	
Legislative	2,865
General Government, Administrative	52,426
Public Safety	60,721
Public Works	55,871
Health and Welfare	1,000
Other Functions	8,770
Debt Service	6,068
Unallocated Depreciation	<u>53,345</u>
Total Expenses	<u>241,066</u>
Changes in Net Assets	(9,552)
NET ASSETS - Beginning of Year	<u>408,176</u>
NET ASSETS - End of Year	<u><u>\$ 398,624</u></u>

**Governmental Activities**

During the fiscal year ended March 31, 2007, the Township's net assets decreased by \$9,552 or 3% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

DAY TOWNSHIP, MONTCALM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

The most significant portion of the revenue for all governmental activities of Day Township comes from property taxes. The Township levied 3.7459 mills on the 2006 Tax Roll.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2007, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by Public Safety expenses that total 26% of total expenses. The Township spent \$60,721 in fiscal year 2007 on Public Safety expenses. Public Works represented the next largest expense at \$55,871, or 24% of total expenses.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Day Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Day Township's governmental funds reported combined ending fund balances of \$269,514. Approximately 38%, or \$100,839 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$9,967 which brings the fund balance to \$100,839. The General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$33,960. State shared revenues were collected in the amount of \$83,848.

**Municipal Street Fund** – The Municipal Street Fund increased its fund balance by \$6,449 which brings the fund balance to \$103,754. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$56,420.

**Fire Fund** – The Fire Fund increased its fund balance by \$3,546 which brings the fund balance to \$64,921. Property taxes collected amounted to \$28,208. The only expenditures were for equipment, operating supplies, and debt service in the amount of \$25,077.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$255,460 net of accumulated depreciation.

DAY TOWNSHIP, MONTCALM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually for the General Fund and \$3,500 individually for the Fire Fund. A summary of capital asset categories is illustrated below:

**Day Township**  
**Capital Assets as of March 31, 2007**

	<b>Governmental Activities</b>
Land	\$ 7,196
Buildings	17,060
Machinery and Equipment	64,070
Office Equipment	19,421
Fire Vehicles	300,500
	<hr/> 408,247
Less Accumulated Depreciation	<hr/> 152,787
<b>Net Capital Assets</b>	<hr/> <b>\$ 255,460</b> <hr/>

Major capital asset events during the current fiscal year included the following:

- ❖ General Government purchased a computer and a printer.
- ❖ General Government acquired a voting machine.

**Long-Term Debt.** As of March 31, 2007, the Township had total outstanding debt of \$126,350.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2007-08 fiscal year. The Township's millage rate will be reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Day Township at 4560 Wyman Road, Edmore, MI 48829.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<u>CURRENT ASSETS</u>	
Cash	\$ 248,309
Taxes Receivable	14,661
Due from Other Government	11,854
	<hr/>
Total Current Assets	274,824
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	7,196
Buildings	17,060
Machinery and Equipment	64,070
Office Equipment	19,421
Fire Vehicles	300,500
	<hr/>
	408,247
Less Accumulated Depreciation	(152,787)
Net Capital Assets	255,460
	<hr/>
TOTAL ASSETS	\$ 530,284
	<hr/> <hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 3,979
Payroll Taxes and Withholdings	1,331
Current Portion of Notes Payable	14,562
	<hr/>
Total Current Liabilities	19,872
	<hr/>
<u>NON CURRENT LIABILITIES</u>	
Notes Payable	126,350
Less: Current Portion	(14,562)
	<hr/>
Total Non Current Liabilities	111,788
	<hr/>
Total Liabilities	131,660
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	129,110
Restricted for Road Maintenance	103,754
Restricted for Fire Protection	64,921
Unrestricted	100,839
	<hr/>
Total Net Assets	398,624
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 530,284
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 2,865	\$ 0	\$ 0	\$ 0	\$ (2,865)
General Government, Administrative	52,426	6,163	0	0	(46,263)
Public Safety	111,438	16,716	0	0	(94,722)
Public Works	55,871	0	0	0	(55,871)
Health and Welfare	1,000	0	0	0	(1,000)
Other Functions	8,770	0	0	0	(8,770)
Debt Service	6,068	0	0	0	(6,068)
Unallocated Depreciation	2,628	0	0	0	(2,628)
Total Governmental Activities	\$ 241,066	\$ 22,879	\$ 0	\$ 0	(218,187)
GENERAL REVENUES					
Property Taxes					118,588
State Shared Revenue					83,848
Investment Earnings					2,546
Other					3,653
Total General Revenues					208,635
Change in Net Assets					(9,552)
NET ASSETS - Beginning of Year					408,176
NET ASSETS - End of Year					\$ 398,624

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY

MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2007

	GENERAL FUND	FIRE FUND	MUNICIPAL STREET FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 90,823	\$ 61,314	\$ 96,172	\$ 248,309
Taxes Receivable	3,289	3,790	7,582	14,661
Due from Other Government	11,854	0	0	11,854
Total Assets	<u>\$ 105,966</u>	<u>\$ 65,104</u>	<u>\$ 103,754</u>	<u>\$ 274,824</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,796	\$ 183	\$ 0	\$ 3,979
Payroll Taxes and Withholdings	1,331	0	0	1,331
Total Liabilities	<u>\$ 5,127</u>	<u>\$ 183</u>	<u>\$ 0</u>	<u>\$ 5,310</u>
 <u>FUND BALANCE</u>				
Reserved for:				
Road Maintenance	\$ 0	0	\$ 103,754	103,754
Fire Protection	0	64,921	0	64,921
Unreserved				
Undesignated	100,839	0	0	100,839
Total Fund Balance	<u>\$ 100,839</u>	<u>\$ 64,921</u>	<u>\$ 103,754</u>	<u>\$ 269,514</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 105,966</u>	<u>\$ 65,104</u>	<u>\$ 103,754</u>	<u>\$ 274,824</u>

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

Total Fund Balances for Governmental Funds	\$	269,514
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	\$	7,196	
Buildings		17,060	
Machinery and Equipment		64,070	
Office Equipment		19,421	
Fire Vehicles		300,500	
Accumulated Depreciation		<u>(152,787)</u>	255,460

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds.

Notes Payable		<u>(126,350)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>398,624</u>
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The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY

MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	MUNICIPAL STREET FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 33,960	\$ 28,208	\$ 56,420	\$ 118,588
Federal Grants	0	0	0	0
State Grants	83,848	0	0	83,848
Charges for Services	22,791	88	0	22,879
Interest and Rents	1,655	327	564	2,546
Other Revenues	3,653	0	0	3,653
Total Revenues	145,907	28,623	56,984	231,514
<u>EXPENDITURES</u>				
Legislative	2,865	0	0	2,865
General Government	62,339	0	0	62,339
Public Safety	55,630	5,091	0	60,721
Public Works	5,336	0	50,535	55,871
Health and Welfare	1,000	0	0	1,000
Other Functions	8,770	0	0	8,770
Debt Service	0	19,986	0	19,986
Total Expenditures	135,940	25,077	50,535	211,552
Excess (Deficiency) of Revenues Over Expenditures	9,967	3,546	6,449	19,962
<u>FUND BALANCE</u> - Beginning of Year	90,872	61,375	97,305	249,552
<u>FUND BALANCE</u> - End of Year	\$ 100,839	\$ 64,921	\$ 103,754	\$ 269,514

The accompanying notes are an integral part of the financial statements.



DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 19,962
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(53,345)
Capital Outlay	9,913
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	<u>13,918</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (9,552)</u></u>

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	<u>\$ 0</u>
<u>LIABILITIES</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Day Township is a general law township located in Montcalm County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Day Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Additionally Day Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition. The Township investment policy authorizes the Township treasurer to invest Township funds in deposit accounts, savings accounts and certificates of deposit.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

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MARCH 31, 2007

The 2006 taxable valuation of Day Township totaled \$26,280,011, on which ad valorem taxes levied consisted of 0.8404 mills for Day Township operating purposes 0.9685 mills for Day Township fire protection and 1.9370 mills for Day Township Road Improvements. These levies raised approximately \$24,489 for operating purposes, \$28,223 for Fire Protection and \$56,449 for Road Improvements.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as required.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 for the General Fund and \$3,500 for the Fire Fund (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Machinery and Equipment	5
Office Equipment	5
Fire Vehicles	15

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs,

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 27, 2006, or as amended by the township board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. *Deposits and Investments***

The Township's deposits and investments are all on deposit with Chemical Bank West Stanton, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, \$150,579 of the government's bank balance of \$250,579 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, all of the Township's investments were uncategorized as to risk.

At year-end, there were no assets that would qualify as investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Fire	Municipal Street	Total
Receivables				
Taxes	\$ 3,289	\$ 3,790	\$ 7,582	\$ 14,661
Due from Other Governments	11,854	0	0	11,854
Total	<u>\$ 15,143</u>	<u>\$ 3,790</u>	<u>\$ 7,582</u>	<u>\$ 26,515</u>



DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

**B. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 7,196	\$ 0	\$ 0	\$ 7,196
Capital assets, being depreciated				
Buildings	17,060	0	0	17,060
Machinery and Equipment	64,070	0	0	64,070
Office Equipment	9,508	9,913	0	19,421
Fire Vehicles	300,500	0	0	300,500
Total capital assets, being depreciated	391,138	9,913	0	401,051
Less accumulated depreciation for:				
Buildings	4,820	340	0	5,160
Machinery and Equipment	23,948	12,814	0	36,762
Office Equipment	3,820	2,628	0	6,448
Fire Vehicles	66,854	37,563	0	104,417
Total accumulated depreciation	99,442	53,345	0	152,787
Total capital assets, being depreciated, net	291,696	(43,432)	0	248,264
Governmental activities capital assets, net	\$ 298,892	\$ (43,432)	\$ 0	\$ 255,460

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 53,345
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

**D. Interfund Receivables, Payables and Transfers**

There are no individual fund interfund receivable and payable balances at March 31, 2007.

**E. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township of Day for the year ended March 31, 2007:

Debt payable at April 1, 2006	\$ 140,268
Debt Incurred	0
Debt Retired	<u>(13,918)</u>
Debt Payable at March 31, 2007	<u><u>\$ 126,350</u></u>

Long-term debt at March 31, 2007, is comprised of the following:

Fire Truck Contract

\$160,000 payable to Chemical Bank West due in monthly  
Installments of \$1,665 through September 2, 2014  
Interest at 4.53%

<u><u>\$ 126,350</u></u>
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DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

The annual requirements to amortize the debt outstanding as of March 31, 2007, including interest of \$22,797 are as follows:

<u>Year</u> <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 14,562	\$ 5,424	\$ 19,986
2009	15,235	4,751	19,986
2010	15,940	4,046	19,986
2011	16,677	3,309	19,986
2012	17,449	2,537	19,986
2013	18,256	1,730	19,986
2014	19,100	886	19,986
2015	9,131	114	9,245
	<u>\$ 126,350</u>	<u>\$ 22,797</u>	<u>\$ 149,147</u>

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Fire Fund

Fire Protection

\$ 64,921

Municipal Street Fund

Road Maintenance

103,754

\$ 168,675

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	<u>GENERAL FUND</u>			<u>MUNICIPAL STREET FUND</u>			<u>FIRE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Taxes	\$ 29,000	\$ 31,000	\$ 33,960	\$ 52,000	\$ 54,000	\$ 56,420	\$ 25,000	\$ 26,000	\$ 28,208
Federal Grants	0	0	0	0	0	0	0	0	0
State Grants	75,000	75,000	83,848	0	0	0	0	0	0
Charges for Services	2,300	19,300	22,791	0	0	0	16,100	0	88
Interest and Rents	700	700	1,655	200	200	564	200	200	327
Other Revenues	2,000	2,000	3,653	0	0	0	0	0	0
Total Revenues	109,000	128,000	145,907	52,200	54,200	56,984	41,300	26,200	28,623
<u>EXPENDITURES</u>									
Legislative	3,650	3,550	2,865	0	0	0	0	0	0
General Government	78,990	79,700	62,339	0	0	0	0	0	0
Public Safety	61,196	78,800	55,630	0	0	0	98,200	87,500	5,091
Public Works	29,664	40,450	5,336	142,700	150,300	50,535	0	0	0
Health and Welfare	1,000	1,000	1,000	0	0	0	0	0	0
Other Functions	14,500	14,500	8,770	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0	19,986
Total Expenditures	189,000	218,000	135,940	142,700	150,300	50,535	98,200	87,500	25,077
Excess (Deficiency) of Revenues Over Expenditures	(80,000)	(90,000)	9,967	(90,500)	(96,100)	6,449	(56,900)	(61,300)	3,546
<u>FUND BALANCE</u> - Beginning of Year	80,000	90,000	90,872	90,500	96,100	97,305	56,900	61,300	61,375
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 100,839	\$ 0	\$ 0	\$ 103,754	\$ 0	\$ 0	\$ 64,921

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	
Commercial Account	\$ 84,098
Money Market Account	6,725
Taxes Receivable	3,289
Due from Other Government	<u>11,854</u>
 TOTAL ASSETS	 <u><u>\$ 105,966</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,796
Employee Withholdings Payable	<u>1,331</u>
 Total Liabilities	 \$ 5,127

FUND BALANCE

Unreserved	<u>100,839</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 105,966</u></u>

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 29,000	\$ 31,000	\$ 33,960
State Grants	75,000	75,000	83,848
Charges for Services	2,300	19,300	22,791
Interest and Rents	700	700	1,655
Other Revenues	2,000	2,000	3,653
Total Revenues	<u>\$ 109,000</u>	<u>\$ 128,000</u>	<u>\$ 145,907</u>
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 3,650	\$ 3,550	\$ 2,865
General Government			
Supervisor	4,100	4,100	4,002
Election	6,900	6,900	10,400
Assessor	8,700	8,700	8,533
Attorney	200	200	0
Clerk	7,150	7,150	6,234
Board of Review	1,900	1,900	976
Treasurer	9,650	9,650	8,811
Data Processing	6,500	7,500	6,921
Building and Grounds	14,600	14,600	5,735
Drain Commissioner	2,290	2,000	2,286
Cemetery	17,000	17,000	8,441
Public Safety	61,196	78,800	55,630
Public Works	29,664	40,450	5,336
Health and Welfare	1,000	1,000	1,000
Other Functions	14,500	14,500	8,770
Total Expenditures	<u>\$ 189,000</u>	<u>\$ 218,000</u>	<u>\$ 135,940</u>
Excess (Deficiency) of Revenues Over Expenditures	(80,000)	(90,000)	9,967
<u>FUND BALANCE</u> - Beginning of Year	<u>80,000</u>	<u>90,000</u>	<u>90,872</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,839</u>

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

FIRE FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	
Money Market Account	\$ 61,314
Taxes Receivable	<u>3,790</u>
 TOTAL ASSETS	 <u><u>\$ 65,104</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 183
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FUND BALANCE

Reserved for Fire Protection	<u>64,921</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 65,104</u></u>
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DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

FIRE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
Current Tax	\$ 25,000	\$ 26,000	\$ 28,208
Charges for Services			
Fire Protection - Douglass Township	16,100	0	0
Fire Runs	0	0	88
Interest and Rents			
Interest Earnings	200	200	327
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 41,300	\$ 26,200	\$ 28,623
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Supplies			
Operating Supplies	\$ 0	\$ 0	\$ 1,401
Capital Outlay			
Equipment	98,200	87,500	3,690
Debt Service			
Principal	0	0	13,918
Interest	0	0	6,068
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 98,200	\$ 87,500	\$ 25,077
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (56,900)	\$ (61,300)	\$ 3,546
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	56,900	61,300	61,375
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 64,921
	<hr/>	<hr/>	<hr/>

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

MUNICIPAL STREET FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	
Money Market Account	\$ 96,172
Taxes Receivable	<u>7,582</u>
TOTAL ASSETS	<u><u>\$ 103,754</u></u>

LIABILITES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>BALANCE</u>	
Reserved for Road Improvements	<u>103,754</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 103,754</u></u>

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

MUNICIPAL STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
Current Tax	\$ 52,000	\$ 54,000	\$ 56,420
Interest and Rents			
Interest Earnings	200	200	564
Total Revenues	\$ 52,200	\$ 54,200	\$ 56,984
<u>EXPENDITURES</u>			
Public Works			
Highways, Streets and Bridges			
Aid to Other Government			
Maintenance	142,700	150,300	50,535
Excess (Deficiency) of Revenues Over			
Expenditures	\$ (90,500)	\$ (96,100)	\$ 6,449
<u>FUND BALANCE</u> - Beginning of Year	90,500	96,100	97,305
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 103,754

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2007

	BALANCE				BALANCE	
	4/1/2006		ADDITIONS	DEDUCTIONS	3/31/2007	
<hr/>						
<u>ASSETS</u>						
Cash	\$ 64	\$	820,097	\$ 820,161	\$	0
<hr/>						
<u>LIABILITIES</u>						
Due to Individuals	\$ 64	\$	982	\$ 1,046	\$	0
Due to Other Governments	0		713,911	713,911		0
Due to Other Funds	0		105,204	105,204		0
<hr/>						
	\$ 64	\$	820,097	\$ 820,161	\$	0
<hr/>						

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

STATEMENT OF 2006 WINTER PROPERTY TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County	\$ 85,182	
Township		
Operating	24,489	
Fire	28,223	
Roads	56,449	
Schools		
Central Montcalm Public Schools	117,202	
Montabella Community School	160,840	
Vestaburg Community School	10,747	
Intermediate School	107,989	
Community College	<u>79,538</u>	\$ 670,659

TAXES COLLECTED

County	\$ 73,849	
Township		
Operating	21,151	
Fire	24,376	
Roads	48,754	
Schools		
Central Montcalm Public Schools	97,785	
Montabella Community School	140,409	
Vestaburg Community School	9,438	
Intermediate School	93,269	
Community College	<u>68,696</u>	<u>577,727</u>

TAXES RETURNED DELINQUENT

County	\$ 11,333
Township	
Operating	3,338
Fire	3,847
Roads	7,695

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

STATEMENT OF 2006 WINTER PROPERTY TAX ROLL  
MARCH 31, 2007

Schools		
Central Montcalm Public Schools	19,417	
Montabella Community School	20,431	
Vestaburg Community School	1,309	
Intermediate School	14,720	
Community College	<u>10,842</u>	<u>\$ 92,932</u>

DAY TOWNSHIP, MONTCALM COUNTY  
MCBRIDE, MICHIGAN

STATEMENT OF 2006 SUMMER PROPERTY TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County		
County	\$ 85,111	
State Education Tax	<u>173,943</u>	\$ 259,054

TAXES COLLECTED

County		
County	\$ 76,051	
State Education Tax	<u>155,426</u>	<u>231,477</u>

TAXES RETURNED DELINQUENT

County		
County	\$ 9,060	
State Education Tax	<u>18,517</u>	<u>\$ 27,577</u>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

August 30, 2007

### LETTER OF COMMENTS AND RECOMMENDATIONS

During the course of our audit of the financial statements of Day Township for the year ended March 31, 2007, we noted the following:

#### General Recordkeeping

Once again, the accounting records being maintained by the clerk and treasurer were found to be in good order and in compliance with the State's uniform accounting system.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*



# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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August 30, 2007

To the Township Board  
Day Township  
Montcalm County  
McBride, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Day Township, Montcalm County, McBride, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Day Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiency described in (1) above (Lack of Segregation of Duties) constitutes a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*